



**EU Grant Agreement number: 290529**

**Project acronym: ANTICORRP**

**Project title: Anti-Corruption Policies Revisited**

Work Package: WP8 Corruption, assistance and development

**Title of deliverable: D8.2 Case study reports on control of corruption  
and EU funds**

D8.2.3. Case study report on control of corruption and EU funds in Egypt

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29 February 2016

Project co-funded by the European Commission within the Seventh Framework Programme		
Dissemination Level		
<b>PU</b>	Public	X
<b>PP</b>	Restricted to other programme participants (including the Commission Services)	
<b>RE</b>	Restricted to a group specified by the consortium (including the Commission Services)	
<b>Co</b>	Confidential, only for members of the consortium (including the Commission Services)	



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## ACCRONYMS

AAP(s)	Annual Action Programme(s)
ACA	Administrative Control Authority
AFs	Action Fiches
APs	Action Plans
CAO	Central Auditing Agency
CSOs	Civil Society Organizations
CSP	Country Strategy Paper
CPR	Country Progress Report
ECA	European Court of Auditors
ECC	European Economic Community
EEAS	European External Action Service
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights
EMP	Euro-Mediterranean Partnership
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EU	European Union
GF	Governance Facility
GMP	Global Mediterranean Policy
IMF	International Monetary Fund
IPA	Illegal Profiting Apparatus
MB	Muslim Brotherhood
MDGs	Millennium Development Goals
MEDA	Mesures D'Accompagnement
MENA	Middle East and North Africa
NCCCC	National Coordinating Committee for Combatting Corruption
NDP	National Democratic Party
NIF	Neighbourhood Investment Facility
NIPs	National Indicative Programmes
ODA	Official Development Assistance
PETS	Public Expenditure Tracking Survey
PFM	Public Finance Management
PM	Prime Minister
PTF	Partners for Transparency Foundation
RFM	Risk Management Framework
SAAP	Support to the Association Agreement Programme
SBS	Sector Budget Support
SIGMA	Support for Improvement in Governance and Management
SPRING	Support to Partnership, Reform and Inclusive Growth
SPSP(s)	Sector Policy Support Programme(s)
TA	Technical Assistance
TAIEX	Technical Assistance and Information Exchange
TAPs	Technical and Administrative Provisions
UN	United Nations

UNCAC United Nations Convention against Corruption  
UNODC United Nations Office on Drugs and Crime

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## I. INTRODUCTION<sup>1</sup>

The overthrow of Egyptian president Hosni Mubarak, less than a month after the toppling of Tunisian president Ben Ali, triggered a re-thinking of the EU's policies towards its southern neighbourhood. In the decades leading up to the popular uprisings that swept the Arab world in 2011, the EU was Egypt's second largest development assistance donor. In the period 2007–2013 alone, it allocated the third-largest amount of European Neighbourhood Partnership (ENP) funds to the country. At the crossroads between the Middle East and North Africa, Egypt holds a key geostrategic position, with the Suez Canal being an important supply route, and is the largest country in the region. The population is estimated at approximately 88 million (Central Agency for Public Mobilization and Statistics, 2015). The birthplace of the Arab League, Egypt has historically been viewed as a regional power with considerable political clout due to its diplomatic expertise, its military strength, and the mediator role it often plays in the Palestinian–Israeli conflict (Pace, 2012: 49). It therefore considers itself the EU's main Southern Mediterranean partner (Comelli, 2010: 3). Most of all, the EU has traditionally been Egypt's main import and export partner and its main source of foreign direct investment (State Information Services, 2009).

This report argues that the EU's efforts to promote democracy and good governance in Egypt have traditionally been diluted in favour of the EU's strategic interests of “prosperity, security and stability” in the MENA region in general and Egypt in particular. The Arab spring in Egypt forced the EU to critically reflect upon its previous policies, as illustrated by the comments of Štefan Füle, the European commissioner for enlargement and neighbourhood policy, shortly after Mubarak's ouster. He recognized that the EU's approach towards its southern neighbours, which assumed “that authoritarian regimes were a guarantee of stability [...] was, at best, short-termism” (Füle, 2015).

This discrepancy between the EU's intended objectives and the actual impact of its policies has proven to be manifest in the **main instrument of EU aid during the period under consideration, the ENP**, which endeavoured to “make a particular contribution to stability and good governance” and “to promote a ring of well governed countries” in its immediate eastern and southern neighbourhoods (Council of the European Union, 2003: 8). After describing the development of EU–Egypt relations and the ENP assistance to Egypt that has been channelled primarily through Sector Budget Support (2), the report will briefly recount the governance regime that prevailed in Egypt until the fall of Mubarak and discuss the highly volatile post-revolution political situation as well as the evolution of the Egyptian legal and institutional anti-corruption framework (3). Furthermore, the analysis will show that the EU–Egypt ENP Action Plan was too ambitious. Either because of the instable political situation or the overly flexible application of conditionality, the EU did not succeed in upholding the objectives set and had very little impact on governance reforms in Egypt, let alone the fight against corruption (4).

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<sup>1</sup> Given the sensitivity of the topic and the job functions of most of the interviewees, their names have remained undisclosed. They are referred to in the text as “Egyptian Official”, “Egyptian Lawyer” “Egyptian Expert”, or “European Official”.

## II. STATE OF EU CONDITIONALITY AND DEVELOPMENT ASSISTANCE

EU–Egypt relations have evolved against the backdrop of Euro-Mediterranean cooperation, with Egypt being one of the region’s main recipients of EU assistance. The primarily financial and economic relationship took on a more political dimension with the goal-oriented ENP, which has sought to boost reforms in partner countries. Yet, despite some recent improvements to the ENP framework, the EU’s promotion of governance has been disparate and information about EU assistance to Egypt has been limited.

### 1. Inter-regional cooperation as a background for EU–Egypt relations

While the EU and Egypt established diplomatic relations back in 1966, bilateral cooperation needs to be situated within the broader context of the EU’s promotion of regionalism.

The earliest trade agreement between the European Economic Community (EEC) and Egypt was signed in 1972. It aimed for “the progressive attainment of a free-trade area” under Egyptian president Anwar El Sadat, who sought to adopt a more conciliatory stance towards the “West” than his predecessor and leader of the non-aligned movement, Gamal Abdel Nasser (Commission of the European Communities, 1976). This rapprochement also coincided with the EEC’s expansion of aid to third countries as well as a policy shift towards its southern neighbours. Instead of disparately negotiating bilateral agreements, Brussels attempted to homogenize its policies and address the Mediterranean as a single region with the implementation of the **Global Mediterranean Policy** (GMP) (Bicchi, 2004). Within this framework, Egypt signed a cooperation agreement with the EEC in 1976 and was the Mediterranean country receiving the largest amount of aid and loans (Del Sarto, 2006: 152). This agreement, which provided preferential trade treatment as well as financial, technical and economic aid, was complemented by four protocols.

The end of the Cold War coincided with a change in Europe’s and Egypt’s attitudes towards one another. On the one hand, it gave Europe an impetus to re-think the role it could play in the new international context. The GMP had not succeeded in boosting economic growth in the South, where many countries were struggling with political, economic and human development. The threat of demographic explosion as well as conflicts in the Mediterranean led Europe to reassess its policies towards its “near abroad” (Holden, 2009: 49). The adoption of the **Renovated Mediterranean Policy** in 1990 was a first step towards the transformation of Euro-Mediterranean relations. But apart from increasing funds to the financial protocols there was nothing new in this policy, which mainly focused on the Maghreb countries (ibid: 51). It was only when the EU manifested a renewed interest in being more involved in the Middle East Peace Process that it envisaged the establishment of an all-encompassing strategy for the

Mediterranean region, which ultimately resulted in the creation of the **Euro-Mediterranean Partnership** (EMP) in 1995.<sup>2</sup>

When the EMP was launched, Egypt welcomed the initiative and financial aid was channelled through the EMP Mesures D'Accompagnement (MEDA) programmes, from which Egypt received over €1 billion over the period 1996–2006 (State Information Services, 2009). Following lengthy negotiations, the EU–Egypt Association Agreement, which was the legal basis governing bilateral relations, was eventually signed in 2001 and entered into force in 2004. This delay can be explained by the fact that Egypt has always perceived its cooperation with Europe primarily in economic and commercial terms. But while over three-quarters of the funds were dedicated to economic and financial cooperation, the EMP also introduced a new political dimension to the EU's contractual relations with its southern neighbours – namely, the so-called principle of political conditionality or Copenhagen criteria (Saleh, Abouelkheir, 2013: 52). In other words, through the EMP, the EU made its financial assistance conditional on the “respect of democratic principles and fundamental human rights” mentioning them as an “essential element” of the association agreement (EU–Egypt Association Agreement, 2004: Article 2). However, the linkage has proven to be rather loose as the political conditionality, which in principle meant that the association agreement could be suspended, has never applied.

With the rather daunting experience of the EMP not yielding the expected results, such as enhancing regional cooperation, as well as the rise of transnational security concerns and the EU's expansion eastward, the European Commission revamped its regional strategy. The EU incorporated the Mediterranean into its new initiative, entitled **European Neighbourhood Policy** (ENP), which had initially been designed for its eastern neighbourhood.

## **2. The European Neighbourhood Policy: Supporting reforms through Sector Budget Support**

In the case of the Southern Mediterranean countries, the ENP's action plans are not legally binding and therefore do not replace the EMP's association agreements. The latter remain the overarching legal bases governing bilateral relations between the EU and its partners. Instead, the ENP complements the previous framework and has become the EU's main policy tool for providing assistance to the Southern Mediterranean countries. Compared to the EMP, the ENP places a much greater emphasis on governance and adopts a differentiated and benchmarking approach. Financial assistance depends on the commitments to reform that the recipient countries have jointly agreed upon with the EU in the bilateral action plans (APs). Under this framework, the European Commission has also established four principal axes of cooperation grounded in “the implementation of a strengthened dialogue on priority multi-sector reforms”, “the approximation of legislation” and the *acquis communautaire*, “institutional support”, and

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<sup>2</sup> The Euro-Mediterranean Partnership (also called the Barcelona Process) was launched in Barcelona in 1995 and was initially composed of 15 members of the European Union as well as Cyprus, Malta, Turkey, Israel, Egypt, Algeria, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria and Tunisia.

“the objectives of the United Nations’ (UN) Millennium Development Goals” (MDGs) (European Commission, 2015).<sup>3</sup>

Egypt began negotiations with the EU in 2005, and the EU–Egypt Action Plan, which is a “fundamental reference for defining the EU’s strategic approach to Egypt” entered into force in 2007 (European Union, 2007: 4). The 2007–2013 Country Strategy Paper (CSP) for Egypt further details the financial plan and defines three priority areas: “supporting Egypt’s reforms in the areas of democracy, human rights, and justice”, “developing the competitiveness and productivity of the Egyptian economy” and “ensuring the sustainability of the development process with effective social, economic and environmental policies and better management of natural resources”(European Union, 2007: 20).

With the ENP, the EU’s approach is much more goal-oriented and identifies specific targets jointly with Egypt. Since the 2005 Paris Declaration on Aid Effectiveness, the EU has undertaken a shift in aid modality towards budget support, considered to be an effective mechanism to boost reforms in partner countries, and has become the only international donor to provide Sector Budget Support (SBS) to Egypt (European Court of Auditors, 2013b: 22).

Under the National Indicative Programmes (NIPs) for 2007–2010 and 2011–2013 (Table 1), which define the financial allocations for each priority area, SBS constitutes the bulk of the EU’s financial assistance to Egypt, with approximately 60 per cent of the funds injected into Egypt’s national budget to support sector policies or strategies through Sector Policy Support Programmes (SPSPs) (APE, 2010: 57). The rest of the EU’s financial assistance to Egypt is project-based, technical assistance with institution-building instruments such as Twinning, Technical Assistance (TA) and Information Exchange (TAIEX) and Support for Improvement in Governance and Management (SIGMA), which are mainly deployed at the request of the Egyptian government. The CSP also outlines the possibility of an increase in EU financial assistance in the form of grants from the Governance Facility that have been developed to reward those ENP partners making progress on governance reforms, and in the form of loans from the Neighbourhood Investment Facility (NIF), which aims to support investments in infrastructure (European Union, 2007: 27; Kleeman, 2010:8).

As the NIPs show, €558 million was allocated for the period 2007–2010, with the greater part of the funding dedicated to the second priority area<sup>4</sup> and to supporting reforms in the health and education sectors (Table 1). Approximately 7 per cent of the EU assistance was directed at the promotion and protection of human rights, with support given to government-affiliated organizations such as the National Council for Women, as well as at the promotion of political reform through support to institutions in charge of enhancing democracy, the rule of law and the fight against corruption, such as the Ministry of Justice and civil society organizations (CSOs)

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<sup>3</sup> The Millennium Development Goals include the following: “eradicate extreme hunger and poverty”, “achieve universal primary education”, “promote gender equality and empower women”, “reduce child mortality”, “improve maternal health”, “combat HIV/AIDS, Malaria and other diseases”, “ensure environmental sustainability” and “develop a global partnership for development”.

<sup>4</sup> Support for the Implementation of the Action Plan Programme included trade facilitation and customs reform, economic legislation and business environment, enhancing the agricultural sector, and support for transport, energy and technology (Bauer 2011: 432).

(ECORYS, 2013: 17). In 2009, a midterm review of the CSP was conducted in order to draft the NIP for 2011–2013. It found that the priority areas remained the same. In addition to a 5.4 per cent budget increase in the yearly funding, a “rearrangement of the funding objectives” also occurred (Bauer, 2011a: 430). The allocation for the first priority area was raised of €10 million with the inclusion of a new priority sub-area. The funding for the second priority was made much more specific, with three reform sectors selected – namely, transport, energy and trade enhancement, which had formerly been covered under the third priority. Finally, under the third priority, the EU withdrew its support for health reform and created three new sectors – namely, water-sector reform, solid waste management, and local community development, which took over some components of the first priority (ibid: 434). This explains why funding for the priority sub-area “Support for political development, decentralization and promotion of good governance” dropped from €13 million to €5 million.

**Table 1 NIPs' planned allocations, 2007 - 2010/2011-2013**

<b>Priority Areas</b>	<b>NIP 2007–2010</b>		<b>NIP 2011–2013</b>	
	<b>Total NIP (€ million)</b>	<b>% budget</b>	<b>Total NIP (€ million)</b>	<b>% budget</b>
<b>I-Supporting Egypt's reforms in the areas of democracy, human rights, justice</b>	40	7%	50	11.1%
Support for political development, decentralization and promotion of good governance	13		5	
Promotion and protection of human rights	17		15	
Support for modernization of administration of justice	10		10	
Upgrading of regulatory, institutional and legislative environment			20	
<b>II-Developing the competitiveness and productivity of the Egyptian economy</b>	220	40%	189	42.2%
Support for implementation of the Action Plan Programme (SAPP)	220			
Technical support	70			
Targeted support for sector reforms	150			
Transport-sector reform			85	

Energy-sector reform			84	
Trade enhancement			20	
<b>III-Ensuring the sustainability of the development process with better management of human and natural resources</b>	298	53%	210	46.7%
Support for education reform	120			
Support for public health reform	120			
Support for investment in the transport, energy and environment sectors	58			
Support for education reform as well as technical and vocational education and training (TVET)			105	
Water-sector reform			50	
Solid waste management			20	
Local community development			35	
<b>Total</b>	<b>558</b>	<b>100%</b>	<b>449</b>	<b>100%</b>

Source: Bauer, 2011a.

Following the 2011 Arab uprisings and the EU's subsequent response to the events in its southern neighbourhood, an EU–Egypt Task Force meeting took place in November 2012. Here, the Commission together with the European Investment Bank (EIB) and the European Bank for Reconstruction and Development committed to provide Egypt with a €5 billion additional aid package. As part of this package, the European Commission pledged nearly €800 million including €500 million macro-financial assistance (€50 million in the form of a grant and €450 million in the form of a loan) pending approval of a stand-by agreement between Egypt and the International Monetary Fund (IMF), a €90 million grant from the Support to Partnership, Reform and Inclusive Growth (SPRING) programme, and €163 million from the NIF (Delegation of the EU in the USA, 2013 Burke, 2011: 9). The EU has also provided assistance to Egypt in the form of grants outside the European neighbourhood and partnership instrument (ENPI) framework, particularly since the Arab Spring, through thematic instruments such as the European Instrument for Democracy and Human Rights (EIDHR), which can directly support civil society without the Egyptian government's approval, the Development Cooperation Instrument (DCI), the Instrument for Stability and the Civil Society Facility created in response to the Arab uprisings (Table 2; European Commission, 2014a).

**Table 2 EU support to Egypt under thematic instruments**

Thematic Instruments	2011	2012	2013	2014	Total (€ million)
Civil Society Facility (CSF)	0.6	0.9	1.2	1.1	3.8
European Instrument for Democracy and Human Rights (EIDHR) <sup>5</sup>	2	1.78	1	1.5	6.28
Neighbourhood Investment Facility (NIF) <sup>6</sup>	23.5	50	15		48.5
Non-State Actors and Local Authorities (NSA/LA) (Thematic programme under the DCI)	1	0.76	1		2.76
Instrument for Stability (IfS)	4	0.26	n/a	n/a	4.26
Migration and Asylum	n/a	2	n/a	n/a	2

Sources: European Commission, 2014a and 2014c; European Union 2014.

Following the revolution and given the constant political instability that ensued, the EU–Egypt Action Plan was extended until March 2014 and a single framework agreement for 2014–2015 was implemented. However, since 2012 no payments for SBS programmes have been approved due to a lack of reform implementation, and the SPRING allocation has not yet been disbursed as a consequence of the ongoing political instability (European Commission, 2013). For 2014, the EU committed €115 million, including €85 million for infrastructure programmes and the remaining €30 million for targeted support to enhance access to education and child protection (European Commission, 2015b).

### **3. Conditionality: Towards the abandonment of the “softly softly” approach?**

#### **3.1 Evolution of the conditionality framework and the reform benchmarking**

The EU’s conditionality framework has evolved substantially since the implementation of the ENP. As previously mentioned, the EU introduced the concept of political conditionality with the EMP in 1976. Within the latter, the EU adopted negative ex-post conditionality, which entailed the use of “sticks” – that is, sanctions that could be imposed on partner countries when they did not respect human rights and democratic principles. However, in practice, negative conditionality

<sup>5</sup> Over the period 2007–2010, the EIDHR contribution to Egypt amounted to approximately €2.6 million. See Kausch (2010) and <https://www.devex.com/projects/grants/country-based-support-scheme-cbss-in-egypt-2010/1061>.

<sup>6</sup> Over the period 2007–2010, the NIF contribution to Egypt amounted to € 48.8 million. See ENP sectoral progress reports (European Commission, 2008 and 2010).

has never been imposed on the Mediterranean countries, even when flagrant violations have occurred – for instance, when Egyptian sociologist Saad Eddin Ibrahim was imprisoned by the authorities while, and in part for, conducting a MEDA-sponsored human rights project (Del Sarto, 2005: 22).

With the ENP, the EU has adopted a more policy-driven approach and shifted to positive ex-ante conditionality and benchmarking. Under this new approach, recipient countries can be rewarded economically or politically for achievements in the reform process, while benchmarks or pre-defined indicators help measure and evaluate progress (Del Sarto, Schumacher, 2013: 52).

Within this framework, three types of conditionality come into play. First, overall political conditionality, which is very often related to democracy and human rights and has been touched upon in the “European Consensus on Development” communication by the European Parliament, Council and Commission. This document emphasizes the need to take account of certain cross-cutting issues when providing official development assistance (ODA):

Some issues require more than just specific measures and policies; they also require a mainstreaming approach because they touch on general principles applicable to all initiatives and demand a multisectoral response. (European Parliament, Council, Commission, 2006: point 100)

These cross-cutting issues, which are “objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation”, are inspired by the UN MDGs but also include the promotion of human rights, democracy and good governance (European Parliament, Council, Commission, 2006: point 101). For all its interventions, the EU specifies which of these issues can be alleviated in the action fiches (AFs) of the programmes and projects it intends to establish with Egypt under a section entitled “cross-cutting issues”.

The second type of conditionality is related to projects and entails the procedural conditions a recipient country has to comply with (i.e. the signing of the service contracts, the way they are negotiated, how the tenders are launched and the steps the country has to take during the implementation phase) in order to receive the funds. The third type, related to the SBS, is the sector economic policy conditionality (Franco, 2015).

As stated in the EU–Egypt CSP, “there has been a shift from large-scale technical assistance programmes to budget support” and the EU funded five SPSPs over the period 2007–2013 (European Commission, 2007: 17).<sup>7</sup> Since SBS entails a transfer of EU funds to the recipient country’s national treasury, the EU has set general conditions for SBS approval and disbursement, which are also known as “eligibility criteria”. These include “a well-defined sectoral policy”, “a credible and relevant programme to improve public financial management”, and “a stability-oriented macroeconomic policy” either in place or under implementation. More recently, the EU has introduced “budget transparency and oversight” as a fourth eligibility criterion (European Commission, 2007a: 51; European Commission, 2011a: 3). The EU and Egypt, to which ownership is transferred and which is responsible for implementing reforms, participate in a policy dialogue to negotiate the wording of the general conditions, the timing of

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<sup>7</sup> The EU has funded SBS programmes in the fields of education, transport, health, water and energy.

the implementation, the disbursement method, and the specific provisions that determine the disbursement of the various tranches and against which progress is assessed (European Commission, 2007a: 55).

Generally, SPSPs in Egypt are carried out over a period of three to four years and the disbursement is divided into tranches that can be either fixed (whereby general and specific conditions must be met in order to receive the tranche) or variable (whereby the amount of the tranche will depend on achievement) (European Commission, 2007: 55). The general and specific conditions are included in the AFs of the SBS attached to the annual action programmes (AAPs), and the Technical and Administrative Provisions (TAPs) attached to the financing agreements give a more specific account of the indicators and targets for the disbursement of the variable tranches (European Commission, 2012: 48).

The NIPs set broad performance indicators/criteria (labelled “indicators of achievement” under the NIP 2011–2013) for the projects and SBS to be implemented under each priority sub-area. These are further described in the AFs.<sup>8</sup> For instance, the priority area “Supporting Egypt’s reforms in the areas of democracy, human rights and justice” foresees a project whose intended impact is to assist Egypt in the “Modernization of Administration of Justice and Enhancement of Security”. One of the objectives of the project is “Capacity Building of the Ministry of Interior”, which is monitored through the use of output indicators such as “police officers trained on new forms of crimes” and outcome indicators such as “improved knowledge of police officers in fighting (...) cybercrime, corruption, money laundering”. More broadly, the EU’s intervention aims to enhance good governance, listed as one of the cross-cutting issues addressed in the project (European Commission, 2010).

In principle, SPSPs are subject to much stricter performance monitoring as performance indicators and reform benchmarks determine the release of the EU funds to the recipient country. The release of the first fixed tranche depends on Egypt’s fulfilment of the eligibility criteria and possible additional general conditions, as was the case for the Energy SPSP, which incorporated the establishment of an Energy SPSP Steering Committee, or the Water Sector Reform Programme, which included a clause on the prevention of corruption (Arnou, Dubost, 2010; European Commission, 2011e).<sup>9</sup> In Egypt, the first SPSP was launched in 2007 and targeted the education sector. In the AF, Egypt’s eligibility is not straightforwardly explained; this is in contrast to the AFs of the four subsequently launched SPSPs, which have included a section entitled “Eligibility for budget support” that clearly outlines how Egypt meets each of the three general conditions (European Commission, 2007b; European Commission, 2011).

Regarding the release of the variable tranches, the SPSPs in the fields of education and energy have, for example, incorporated performance indicators such as “improved efficiency in the allocation of financial and human resources within the education system” and “improved

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<sup>8</sup> These include “political, economic and social progress, progress in good governance and the effective use of aid, and in particular the way a country uses scarce resources for development, beginning with its own resources” (European Parliament, Council, Commission, 2006: point 65).

<sup>9</sup> Performance indicators and benchmarks may have been altered as the information was extracted from the 2010 Energy SPSP Draft Formulation Report while the final financing agreement for the programme was signed after the revolution.

transparency of fiscal risks arising from state guarantees” as well as benchmarks – namely, the submission of an Education Public Expenditure Tracking Survey (PETS) or “Annual public disclosure of information on contingent liabilities” – that have conditioned the payment of the second instalments (Egyptian expert, 2015; Arnou, Dubost, 2010).

**Table 3 Non-exhaustive policy matrix of the Energy Sector Policy Support Programme**

Indicators	Targets for second instalment	Targets for third instalment	Means of verification	Responsible agencies
<b>Objective 1: Improve the energy policy and regulatory framework</b>				
<b>Consolidation of the energy policy framework</b>		A midterm Action Plan (White Book) is submitted to the Supreme Energy Council (SEC)	Letter of submission to the SEC	Ministry of Electricity and Energy (MoEE)  Ministry of Petroleum (MoP)
<b>Objective 2: Improve the energy sector’s financial transparency and performance</b>				
<b>Improved transparency of electricity tariffs and subsidies</b>	Annual public disclosure of Egyptian Electric Utility and Consumer Protection Regulatory Agency’s report on cost-of-service for production, transmission and distribution of electrical energy		Actual public disclosure of the report on EgyptERA’s website	EgyptERA
<b>Improved transparency of fiscal risks arising from state guarantees</b>		Annual public disclosure of information on contingent liabilities	Budget documentation for fiscal year 2013/2014	Ministry of Finance (MoF)
<b>Improved financial transparency of state-owned enterprises (SOEs)</b>	Annual public disclosure of SOE audited financial statements		Actual public disclosure of the MoF website	MoF (Final Accounts Sector)
		Annual public disclosure of an MoF annual report on SOE performance	Actual public disclosure of the MoF website	MoF (Final Accounts Sector)

Objective 3: Promote development of renewable energy sources and mitigation of GHG emissions				
Additional wind generation capacity tendered, under construction or installed by New and Renewable Energy Authority		750 MW	Tender document, supply contract or acceptance certificate	MoEE/Egyptian Electricity Transmission Company

Source: Arnou, Philippe, Dubost, Sebastien (2010).

Finally, alongside the performance indicators, the EU also establishes a Risk Management Framework (RMF), which is used during the identification, formulation and implementation of its activities. The risks identified are classified into five categories – political, macroeconomic, developmental, public finance management (PFM) and corruption/fraud – and the risk levels, representing the risk probability and impact on EU operations such as budget support, can be “low”, “moderate”, “substantial” or “high” (European Commission, 2012: 44). Taking into account the risk(s) identified, the RFM helps calculate the cost of EU non-intervention compared to its potential benefits (ibid: 42-46). The RFM is an important decision-making tool, should the risk(s) arise and impede the implementation of the EU activities with the recipient country. For instance, the Energy SPSP AF classifies one political risk, the slow progress of reform due to presidential and parliamentary elections, as constituting a “high” level of risk for budget support operations (European Commission, 2011d).

### 3.2 The EU’s good-governance promotion in Egypt

Good governance has been an underlying issue of the ENP since its establishment and has been promoted through financial and technical assistance, positive conditionality and political dialogue (Kleeman, 2010: 9). With the 2003 European Communication “Wider Europe”, the European Commission upheld the EU’s ongoing assistance in “the fight against corruption, strengthening the rule of law and the independence of the judiciary”. The 2004 ENP “Strategy Paper” explicitly linked the EU’s level of cooperation with its immediate neighbours to the commitment to common values and identified “democracy and the rule of law, the reform of the judiciary and the fight against corruption and organised crime” as “priorities intended to strengthen commitment to these values” (European Commission, 2003: 13; European Commission, 2004: 13).

In line with its stronger emphasis on good governance, the European Commission introduced the Governance Facility (GF) in 2007 as a new instrument that would create additional incentives to further the ENP partners’ commitment to good governance. With €50 million annual instalments available to top up national allocations, the GF is an ex-post positive conditionality that was established to reward the “best-performer” partner countries for progress in implementing the reforms agreed upon in the APs (European Commission, 2008). As one of the partners that signed an ENP Action Plan, Egypt was, in principle, eligible, but it never secured any additional funding from the GF.

Egypt has nevertheless received funding to promote good governance. In the EU–Egypt Action Plan, three of the 19 priority areas deal with democratic governance.<sup>10</sup> While the chapter “enhance political dialogue and reform” subsumes horizontal aspects of democratic governance such as “democracy and the rule of law” or “human rights and fundamental freedoms”, many governance-related priority actions are included in the other five chapters of the action plan – for instance, “promoting transparency” in the “migration, social integration, justice and security” chapter (European Commission, 2008; European Commission, 2007: 28). However, while the action plan appears to be an ambitious road map, the CSP 2007–2013 is more restrictive when it comes to governance, as the low allocation dedicated to this field demonstrates. Nevertheless, the CSP represents the first time governance was selected as a priority area.

During the period 2007–2010, few projects were approved and little support was dedicated to good governance. The only EU anti-corruption project in Egypt, which was jointly managed with the United Nations Office on Drugs and Crime (UNODC) and titled, “Support to Political Development and Good Governance”, was approved in 2008 for €3 million. However, it only started in August 2011, when it was also renamed “Supporting Measures to Combat Corruption and Money Laundering, and to Foster Asset Recovery in Egypt” to include a new component. Initially, the project was supposed to run for three years, but it was later extended until December 2015 due to the post-revolution instability, which delayed the full implementation of the project (Interview UNODC, 2015). However, it can be fairly assumed that the pre-revolution implementation delay was due to the fact that combatting corruption was not among the 19 priorities outlined in the action plan and therefore not at the top of the EU’s agenda. Indeed, corruption is only mentioned in reference to the United Nations Convention Against Corruption (UNCAC) in the subsection “promoting transparency”.

The main components of the EU project implemented by UNODC are enhancing capacity building within the relevant anti-corruption authorities to better fight corruption and money laundering and to recover stolen assets; supporting the Government of Egypt in the development and implementation of a national anti-corruption strategy; supporting the modernization of the national legislative framework; and raising public awareness about the negative impact of corruption (UNODC, 2015). Since its implementation, the project’s activities have included the provision of technical assistance to the government for the implementation of a national strategy, the training of professionals and NGOs regarding the UNCAC and its review mechanism, and workshops related to asset recovery and financial investigation (UNODC, 2015).

As part of the support for the implementation of the ENP Action Plan Programme and the association agreement known as support to the association agreement programme (SAAP), technical assistance aimed at enhancing the capacity of the Egyptian government to implement reforms has been provided on a regular basis. TAIEX expert missions introducing Egyptian institutions to the EU member states’ best practices have been conducted with the Egyptian

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<sup>10</sup> The three democratic governance priority areas are “enhance political dialogue and co-operation shared values”, “enhance the effectiveness of institutions entrusted with strengthening democracy and the rule of law and consolidate the independent and effective administration of justice” and “promote the protection of human rights in all its aspects”.

Competition Authority in areas such as competition policy and the legal aspects of case handling or the area of internal audit and control with the Egyptian Banking Authority (European Commission, 2015c). SIGMA activities intended to contribute to the improvement of public governance institutions have also been organized. While the areas covered by SIGMA can include anti-corruption, public procurement, financial control and external audit, the sectors it covers in Egypt include “legal framework, civil service and justice”. It has undertaken activities in cooperation with the Central Agency for the Organisation of Administration and the Egyptian Regulatory Reform and Development Activities (ERRADA), as well as “policy-making” with the Egyptian Information and Decision Support Centre and the organization of study visits intended to strengthen the capacities of the Council of Ministers (B&S Europe, 2013: pp 55).

In the area of PFM, the Ministry of Finance requested EU support in implementing PFM reforms in 2009. The EU and other international donors thus organized a regional seminar entitled “Expenditure Control and Internal Audit” in 2011 (ACE, 2013: 14; Messali, 2011). As previously mentioned, the EU also addressed the PFM issue with Egypt in the SBS for Education and Water. Furthermore, the “Support to Public Administration Reform and Local Development” project approved in 2011 constituted the first TA project on general PFM reforms. One of its objectives was “Strengthening PFM to better implement public policies” (ECA, 2013: 22; European Commission, 2010: 38). However, this project appears not to have been launched until 2015, and it is not clear whether the PFM component of the project has been preserved (VNG International, 2015).

Overall, most of the documents related to EU assistance to Egypt over the period 2007–2013/2014 that address the formulation (i.e. TAPs), implementation (project and programme midterm reviews), performance and risk monitoring, or actual disbursement of assistance have largely remained undisclosed. The AFs have provided indicators that have remained vague and, mostly, unquantified. The data available on the EU’s actual disbursement of its aid to Egypt also seems to be misleading. The statistical annex of the 2014 EU Joint Communication “Neighbourhood at the Crossroads: Implementation of the European Neighbourhood Policy in 2013” presents the ENPI allocations from 2007 to 2013. In contrast to most data provided on the other ENP countries, the document outlines the bilateral allocations to Egypt that have been programmed and committed under the two NIPs but, surprisingly, adds the specific inter-regional NIF payments when detailing the actual disbursements (European Commission, 2014a: 51). The AAP 2015 for Egypt is more promising in that it seems to indicate that the EU has taken note of the vagueness of its policies for the ENPI 2007–2013. In this document, an indicative logistic matrix is attached to each activity the EU envisages implementing, distinctly describing quantified output, outcome, impact indicators and benchmarks. In terms of governance, this document also marks an important step in that the EU does not disregard the corruption problem but explicitly lists it as a “high” risk for all the 2015 AAP interventions (European Commission, 2015). Nevertheless, as discussed in more detail further on in the paper, there has been a substantial gap between the EU policy documents and the actual implementation of the policies.

### III. EGYPT'S STATE OF GOVERNANCE

Before proceeding further with the analysis of EU assistance to Egypt, it is important to understand the environment in which the EU has operated. With the merging of the business and political class, the Mubarak regime allowed for the spread of corruption, which has plagued the country for decades. This ultimately culminated in the 2011 revolution, and the fight against corruption became a priority of the subsequent governments. However, in light of recent events and, to some extent, certain drawbacks in the anti-corruption framework, observers tend to be cautious about considering the government's efforts as genuine improvements.

#### 1. Governance Regime

EU–Egypt cooperation was considerably strengthened under the 30-year rule of President Hosni Mubarak. But it was also during that period that Egypt's institutions and state services deteriorated into a highly personalist system of rule that was dominated by clientelism and patronage. Access to both the political and economic systems was progressively limited to those with personal ties to the regime.

Relying heavily on the State Security Agency, the president maximized internal security expenditure at the expense of the military, which was given increased financial autonomy in exchange (Soliman, 2012: 56). Mubarak's "you are either with me or against me" governing style meant that, in practice, the president had the arbitrary power to remove or nominate everyone, from university deans and heads of newspapers to high-level government officials. He even transferred the authority of independent institutions to the executive (Osman, 2011: 172). Furthermore, Mubarak strengthened his ruling National Democratic Party's (NDP) control over parliament as a way to secure his re-election and tighten his grip on state institutions.<sup>11</sup> Through the use of electoral manipulation tactics such as giving voters pre-marked ballots, offering favours and bribes, and resorting to the State Security Agency or informal "militias of thugs" to intimidate possible political opponents and opposition sympathizers, the regime's well-oiled election-rigging machine enabled the NDP to secure a minimum of three-quarters of the seats in the People's Assembly in every parliamentary election (Lesch, 2012: 22; Fahmy, 2012: 359). In the last parliamentary elections before Mubarak's fall, the NDP won over 90 per cent of the seats, a number that contributed to the political disillusionment that fuelled the revolution.

In the aftermath of Sadat's turn from socialism towards a selective economic opening in the context of *infitah* politics in the 1970s, crippling economic debt forced Mubarak to conclude a standby agreement with the IMF and a structural adjustment loan with the World Bank in 1991. The resulting waves of privatization further eroded the state's autonomy. The first wave took place at the beginning of the 1990s and the second in the early part of this century, when a new generation of technocrats led by Hosni Mubarak's youngest son, Gamal, took over the financial and human resources of the aging NDP (Soliman, 2012: 58). Privatization came at the expense of public expenditures in sensitive areas such as health and education and benefited not only Mubarak's sons but also their trusted business partners, who became monopolists at the helm of

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<sup>11</sup> Under the former Constitution of Egypt, the president was indirectly elected. The lower house of the parliament was in charge of selecting a candidate who was then confirmed by public referendum.

economic empires such as the infrastructure industries of cement and steel (Osman, 2011: 193; Fahmy, 2012: 363). The rise of the business elite and its infiltration into the political system culminated in the 2004 appointment of a neo-liberal government headed by Ahmed Nazif, where all the ministers in charge of economic portfolios, allegedly selected by Gamal Mubarak, were either business tycoons or relatives of wealthy businessmen close to the Mubaraks (Fahmy 2012: 365). Mubarak's last decade in power, characterized by unprecedented levels of corruption and nepotism – together with the outrageously fraudulent 2010 parliamentary elections – ultimately led to his demise.

The period immediately following the January 2011 revolution and that some have labelled “the stupidest transition in history” was marked by constant political instability (Lynch, 2012). The first relatively fair and democratic parliamentary and presidential elections were held in 2011 and 2012. In both cases the Muslim Brotherhood (MB) won the elections, and in both cases the MB failed to stay in power. After a series of clumsy and controversial political decisions that stirred up massive popular discontent, Mohamed Morsi was deposed by General Abdel Fattah El-Sisi in a popularly backed *coup d'état*. El-Sisi won the next presidential elections in 2014 after Adly Mansour's interim presidential term. The Supreme Constitutional Court of Egypt ruled that the 2011–2012 parliamentary elections dominated by the MB had been unconstitutional, and after considerable delay, new elections finally took place from October to December 2015.

## **2. Evolution of Egypt's anti-corruption legal and institutional framework**

Despite having ratified the UNCAC in 2005, Egypt fell from rank 77 to rank 105 in the Transparency International Corruption Perception Index between 2004 and 2007 under the Mubarak regime's last cabinet (Transparency International, 2004 and 2007). For many Egyptians, the “ marriage between wealthy businessmen and corrupt politicians in the ruling party” and the resulting economic policies of the Nazif government ultimately led to state capture by the governing elite and increased the rich–poor divide (Essam El-Din, 2008). However, grand corruption has only represented the tip of the iceberg as the same nepotistic patterns pervaded the lower echelons of the public administration, where recruitment and promotion were not based on merit but rather on particularistic criteria (Moussa, 2013: 111). For many years, the Mubarak regime failed to reduce Egypt's national deficit, and the second wave of privatization, the inflation tax, and the reprioritization of funding allocations to public agencies particularly affected the five million state employees (Soliman, 2012: 56). Consequently, petty corruption became a rampant phenomenon and the use of bribery or *wasta* (influence through middlemen, mediation) was necessary to get things done when dealing with state institutions (Fouda, 2010).

It is in this context that the cabinet passed resolution No.24 in February 2007, thereby placing the fight against administrative corruption high on the government's agenda in an attempt to buttress Egypt's anti-corruption machinery (OECD, 2009:4). Conventionally, the country's institutional anti-corruption framework has been composed of three main bureaucratic oversight agencies – namely, the Central Auditing Organization (CAO), the Administrative Control Authority (ACA) and the Administrative Prosecution Authority – as well as the Ombudsman's Office. Alongside these institutions, other agencies hold more specific roles. The Illegal Profiting Apparatus (IPA) is mandated to investigate suspected illegal incomes brought to its attention by reports from the general public and from private and public employees, and the Money

Laundering Combating Unit is responsible for combating money laundering and terrorist financing. Following the 2007 resolution, additional institutions and initiatives such as the Transparency and Integrity Committee were launched in order to devise a common anti-corruption strategy and the first Egyptian Corruption Perception Index was created (OECD, 2009: 13). Regarding the legal anti-corruption framework, Egypt also has a large arsenal of constitutional provisions and laws that stipulate the accountability of high-level officials and the use of public funds, as well as a range of laws criminalizing bribery and money laundering (Mott, 2010: 14). However, while the country's institutional and legal anti-corruption frameworks seem relatively strong, they have largely been ineffective. There is a substantial gap between legislation and enforcement due to the anti-corruption agencies' lack of independence and the absence of real scrutiny (Johnson & Martini, 2012).

Indeed, the anti-corruption institutions have been closely linked to either the president, the prime minister (PM) or the Ministry of Justice. For instance, the CAO created to monitor the financial and administrative operations of public employees as well as companies receiving public funding was placed under the authority of the president in 1988. Its reports were considered confidential and were only available to the president, the PM and the People's Assembly (Hassan, 2009: 33). Consequently, it was reported that Mubarak himself was deciding whether high-level officials would be prosecuted (Lesch, 2012: 28). In the same fashion, the Ombudsman's Office, which is the same as the General Prosecutor's Office, was seen as the defender of the government as the general prosecutor himself was appointed by the president and was not under any legal obligation to prosecute the cases brought to him or even to justify their dismissal (UNDP, 2015; Egyptian Official, 2015). This attests to a widespread lack of accountability and transparency. Many public bodies had a special budget that could be spent without any transparency; these infamous "special funds", and data on corruption-related investigations, prosecutions, or the enforcement of sanctions remained confidential (Puddephatt, 2012: 13). Additionally, the legal framework seemed to deter the reporting of corruption cases as no whistle-blowing protection was in place. Law 2/1977, which established the IPA, imposed fines and prison sentences for defamation charges if the claims of the people who reported corruption cases were not verified by investigators (Mott, 2010: 18).

Unsurprisingly, corruption was one of the drivers behind the 2011 revolution, and the recovery of misappropriated assets was a core concern in the immediate post-Mubarak era. Under Morsi, some efforts were made to improve Egypt's legal and institutional anti-corruption frameworks. The independence of the CAO was entrenched in the "Independent Bodies and Regulatory Agencies" section of the 2012 constitution, which also intended to make the National Coordinating Committee for Combatting Corruption (NCCCC) the overarching anti-corruption body (Constitution, 2012; Egyptian Official, 2015). However, the laws related to the independence of the regulatory agencies were not implemented and the article establishing the anti-corruption commission was removed on the grounds that the president still retained authority for appointing the heads of independent bodies under the 2014 constitution (article and constitution). Since his investiture, President Al-Sisi has pledged to make the fight against corruption one of his top priorities. He has appointed Mohamed Omar Heiba, the former head of the ACA, as his advisor for anti-corruption affairs (Ahram online, 2015). The NCCCC, which was

created under Mubarak and which developed Egypt's first National Anti-Corruption Strategy, made public at the end of 2014 in honour of International Anti-Corruption Day, has been transferred from the Ministry of Justice to the PM's cabinet. The non-governmental Partners for Transparency Foundation (PTF) reported that 22 corruption cases involving state officials (including ministers) were investigated during the first year of Al-Sisi's presidency (Daily News, 2015). However, the legal and institutional anti-corruption framework is considered by many to have stagnated at best, and the PTF has stated that the legal measures undertaken by Al-Sisi have been "ineffective to counter corruption and minor in comparison to his strong political speech" (ibid).

Indeed, the lack of accountability and budget transparency has been increasingly criticized. Egypt's score in the Open Budget Index between 2010 and 2012 declined from 49 to 13, placing it among the category of countries that "provide scant information to the public in [...] budget documents", mainly due to the revolution and the absence of Parliament (Open Budget Survey, 2012). Moreover, in 2014 the cabinet's approval of an amendment to investment law 8/1997 to include a clause barring third parties from challenging contracts between investors and the government has led some to call this amendment "legalised thuggery" (Ahram Online, 2014). This amended law is considered one of the major post-revolution drawbacks. It closes the door to CSOs and the public at large and leaves it wide open to corruption since state contracts are considered to be one of the most corrupt "fields" in Egypt (Egyptian Expert 2015; Egyptian Lawyer, 2015). Even more alarming is the Arabic version of the National Strategy against Corruption's inclusion of the potential establishment of a witness protection unit. While this appears to be a good measure at first sight, the witness protection unit would be established within the Ministry of Interior. However, many CSOs have argued that in most whistle-blower cases, the real threats and the real intimidation the witnesses face usually come from the police; therefore, the witness protection measures inscribed in the strategy are actually disincentives to whistle-blowers (Egyptian Expert, 2015).

Public procurement was also significantly altered in 2013 following Mansour's presidential decree granting the state the right to "directly award government contracts in cases of emergency" (El Dahshan, 2014). What was supposed to be the exception became the norm and allowed the military to progressively take control of the bidding process for major public procurements. Between September and November 2013 the army was awarded EGP 7 billion worth of government contracts (Marshall, 2015:1). Consequently, the military emerged as a more important actor in the civilian economic sphere, and particularly in the infrastructure sector, where a call for tenders process is now virtually absent (European Diplomat, 2015). This pattern has also been the case for international procurement, as exemplified by the €10 billion worth of deals and the Memorandum of Understanding to expand Egypt's electricity network. CSOs are criticizing the government's lack of transparency. As an Egyptian Expert (2015) stated, "Any public procurement should be done following a transparent process, but this would take from the state the political power it gains from actually controlling how to distribute the economic privileges".

Despite the recent efforts to address corruption, the current president is under close scrutiny and has faced many challenges in the recent months. A report published in *Foreign Policy* last June

accused President Al-Sisi of using the fight against corruption as a means to mask the problem. The authors of the report claim that many anti-corruption bodies represented in the NCCC have been involved in corrupt acts – for instance, the ACA, which turned a blind eye to thousands of Egyptian officials’ hidden accounts, which it was administering – or are being investigated by Hisham Geneina, the chief auditor and head of the CAO (Manek, Hodge, 2015). Less than two weeks after the publication of the report, another blow to the fight against corruption came in the form of a presidential decree granting the president the power to remove the heads of supervisory bodies, among them the head of the CAO. This decree is assumed to have been orchestrated by the current minister of justice, Ahmed Al-Zend, in response to Geneina filing a corruption case implicating Al-Zend when he was the head of the Judges Club (Egyptian Streets, 2015). In September, the minister of agriculture, Salah Helal, allegedly resigned on the orders of President Al Sisi and was arrested on corruption charges immediately thereafter. Few days later, in the midst of this new corruption scandal, PM Ibrahim Mahlab delivered the government’s resignation. This new twist is a significant development in the fight against corruption, explained an Egyptian official:

With rumours about six ministers who may be asked about their attitude while in office, a minister dragged out of the cabinet because of corruption is a big thing in Egypt. However, will that be one as a scapegoat or will it be a policy? That is yet to be seen. (Egyptian Official, 2015)

The fight against corruption in Egypt has been highly publicized since 2011, and the post-revolution governments have placed a premium, at least rhetorically, on the issue. This may explain why some of the main international governance indicators suggest that the situation in Egypt has improved in the last few years, especially in 2014 (Table 4).

**Table 4 Governance indicators for Egypt, 2007 - 2014**

INDEXES	2007	2008	2009	2010	2011	2012	2013	2014
<b>Transparency International Corruption Perceptions Index (out of 10)</b>	Rank							
	105	115	119	98	112	118	114	94
	Score							
	2.9	2.8	2.8	3.1	2.9	3.2	3.2	3.7
<b>World Bank Governance Control of Corruption (percentile rank out of 100)</b>	29	27	41	34	28	33	32	32

<b>Bertelsmann Transformation Index (BTI)(out of 10)</b>	n/a	4.29	n/a	4.82	n/a	4.1	n/a	5.08
<b>Freedom House: Freedom in the World Survey (1= best; 7= worst)</b>	5.5 (not free)	5.0 (partly free)	5.5 (not free)	5.5 (not Free)				
<b>Open Budget Index (0–20= Scant or None; 80–100 = Extensive)<sup>12</sup></b>	n/a	43 (some)	n/a	49 (some)	n/a	13 (scant)	n/a	n/a

Sources: Transparency International (2015); World Bank (2015); Bertelsmann Stiftung, BTI (2014); Freedom House (2015); Open Budget Survey.

The launch of the National Anti-Corruption Strategy may have contributed to boosting Egypt's governance scores and rankings. However, in its 2014 country progress report (CPR), published in March 2015, the EU, which in principle was supposed to support the draft of the national strategy through its anti-corruption project, stated "there were no tangible developments in the fight against corruption or in reforming the judiciary" (European Commission, 2015: 3).

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<sup>12</sup> Egypt obtained a score of 16 in the last Open Budget Survey, which was published in September 2015, and the International Budget Partnership considers the situation to be largely the same as it was in 2013.

## IV. DETAILED DIAGNOSIS

With its overly ambitious road map, the EU has failed to achieve the objectives set in the action plan. The “softly softly” approach, which has seen the EU be too flexible on tying its aid to reforms, either in the formulation, implementation or even monitoring, has proven to be ineffective. The EU’s lack of visibility as a governance promoter furthered Brussels’ lack of impact on governance reforms in Egypt.

### 1. A disconnect between aid conditionality and governance reforms

On paper, the importance the EU assigns to governance has without a doubt been upgraded. Since 2007 it has become a priority area rather than just an issue to be discussed within the political dialogue. Yet, as Techau rightly observes, “it is a natural part of EU external policy to overshoot on rhetoric and then scramble to put the necessary internal reforms in place to meet it” (Techau, 2014).

The comparison of the EU–Egypt Action Plan to the NIPs shows that the policy objectives have been watered down, therefore undermining the normative rhetoric of the ENP agenda, especially in the field of governance (Bauer, 2011b). The slow and considerably limited implementation of governance reforms and projects further evidences the gap between the EU’s stated objectives and its actual impact. Former ambassador Franco recalls the negotiations on the reform of the subsidies system for the Energy SPSP, for which the EU pleaded very strongly,

we were unable to put in clear binding wording on this issue so we put in something that was more ‘wishy washy’. In the end you can always say yes it fulfilled the conditions. In the end of the negotiations the conditions were so watered down that of course it didn’t really have an impact. (Franco, 2015)

While the EU has demonstrated a clear reluctance to apply negative conditionality and to impose sanctions on its partners, the ENP’s shift to positive conditionality has not prompted Brussels to rigorously condition its assistance to Egypt. The 2013 European Court of Auditors’ (ECA) report on “EU cooperation with Egypt in the field of governance” found that EU’s aid to the country was “well-intentioned but ineffective” (European Court of Auditors, 2013a)

In this highly critical report, which focused on two fundamental aspects of governance – namely, human rights and democracy and public finance management and the fight against corruption, the ECA particularly blames the EU for its handling of SBS and the soft application of conditionality:

The satisfactory overall implementation of PFM reforms is a general condition for budget support. However, the Commission did not establish clear criteria in terms of annual reform milestones and benchmarks for monitoring and assessing what constituted an adequate pace of reform and continued to disburse budget support despite the slow implementation of reforms. (European Court of Auditors, 2013b: 22)

The report also pointed out that other EU budget support programmes in other ENP countries included specific conditions on corruption. This was not the case for Egypt, despite the country's serious problems in this area (European Court of Auditors, 2013: 23).

Even though the EU has not approved any new SBS programme for Egypt since 2012, it has not generally invested much effort in making its aid conditional on improved governance, let alone fighting corruption. According to a European policy advisor, Egypt is now merely seen as a lost case in terms of governance:

There were hopes that things would change, but now people in the EU have lost their illusions. If anything has changed in the last two years it is the position of the EU itself. Instead of being critical and trying to change things with the leverage we have, we don't do it anymore, so the line from Brussels is just support Sisi against terrorism and sometimes provide a little press release about human rights and that's all. (Koert Debeuf, 2015)

However, while the EU has not demonstrated a genuine willingness to push for governance reform, it is also important not to downplay the unstable post-revolution sociopolitical environment in which the EU is operating as well as the Egyptian government's degree of (non)-compliance with the EU's approach when assessing the (in)effectiveness of the latter's assistance to Egypt.

## **2. Factors behind the EU's lack of impact on governance in Egypt**

### **2.1 The failure of the conditional approach**

The EU's apparent non-conditioning of aid to Egypt can be explained, first, by the fact that the Egyptian partners have always resisted the EU's approach, to the point where some observers have talked about Egypt's aversion to political conditionality (Emerson et al., 2007: 10). This is reflected in the length of the negotiations on the action plan.

From an EU perspective, Egypt is one of the hardest countries to deal with in the entire neighbourhood. This applies in particular to the Egyptian counterparts in the Ministry of Foreign Affairs. Since the Nasser era, they have accumulated an excellent understanding of global political balances and are well-trained and very efficient at brokering every detail of the agreements to maximize the benefits for Egypt (Koert Debeuf, 2015; European diplomat, 2015).

From an Egyptian perspective, if the ENP is a tailor-made approach, then every clause of an agreement has to be tailored and jointly agreed upon according to the situation of the recipient country. This view was indeed confirmed by the lengthy EU–Egypt Action Plan negotiations, which saw the Egyptians come with a comparative table of the other action plans, article by article, that had already been signed by other ENP South countries (Egyptian Official, 2015). “Some countries signed almost *carte blanche* to everything the EU wanted”, explained an Egyptian official, “but Israel was by far the toughest, so in comparison why should we have lowered our standards?” (Egyptian Official, 2015). The two points of contention responsible for the delay in the adoption of the action plan were a sensitive reference to a subcommittee for

individual human rights cases and the EU's opposition to the inclusion of "non-proliferation" in a provision on disarmament because it would have involved Israel (Wolff, 2009:108; Egyptian Official, 2015). Referring to the subcommittee, an Egyptian diplomat said it was a mistake on part of the EU that allowed Israel to refuse the establishment of a human rights subcommittee, which "gave ample reasons to the Arab countries to resist as well" (Wolf, 2009: 108). Other Egyptians working on EU–Egypt cooperation also explained, "we do not like when something is imposed on us, even if it is good, we keep resisting it", and this attitude was confirmed by Egypt's non-paper to the EU on the draft of the new action plan, in which Egypt implicitly requests that it be treated as an equal (Egyptian Official, 2015; European Diplomat, 2015).

Hence, a first obstacle to the EU's impact on governance is the resistance of the Egyptian partners to the conditional approach. This often leads the EU to abandon political conditionality in the face of this resistance. Former ambassador Franco explained that when the EU seeks to implement political conditionality, Egypt often plays the threatening card of terrorism. Its government representatives once told him,

In the EU, you are always blaming us for having restrictive laws on imprisonment and arresting people and so on and so forth that are much stricter than the ones you have in Europe, but we cannot do otherwise because if you want us to allow the fundamentalists, *Salafi* and the MB to run all over the place then you will see what you get in a couple of years: you will have to deal with the problems yourselves in Europe if you do not let us apply much stricter laws that do not respect the rights of the citizens like you do in Europe. (Franco, 2015)

Another factor is the fact that the EU does not really offer its Egyptian counterparts any incentives to introduce governance reforms. Indeed, while Egypt is the third-largest recipient of the ENP funds after Morocco and Palestine, the average funds per capita per year over the period 2007–2010 were €1.80, one of the lowest amounts in the "Neighbourhood" (Tocci, Cassarino, 2011:14). Even more striking, only €90 million of the €1,007 million ENPI allocation to Egypt, less than 9 per cent, was dedicated to democratic governance reforms. This number not only undermines the credibility of the EU and its willingness to induce change in governance but also explains the Egyptian side's resistance to conditionality given the political cost of introducing governance reforms versus the financial rewards offered by the EU.

More generally, the same goes for budget support. Unlike other countries in West Africa, where the European Development Fund sometimes finances up to 40 per cent of the budget, the EU's contribution to Egypt is well below 1 per cent of the country's GDP (European Official, 2015). The Egyptian government is happy to receive the money, but the EU does not have a critical mass that would buy any reform. As a European official stated,

the officials who manage the programmes are aware of this and that is why, if they want to clean their budget sheets at the end of the year and spend the money, they, the delegation and Brussels will be flexible in the application of their own

conditionality because they do not want too many complications and difficult discussions. So the money is just given whatever has happened. (European Official, 2015)

The European External Action Service (EEAS) is far from unanimous about budget support. Moreover, there has been an ongoing debate in the European Parliament (EP) about budget aid and budget systems. Budget support is considered problematic when it comes to transparency, the protection of the EU's financial interests and financing (European Official, 2015). Consequently, the EP is opposed to SBS because it believes the "Commission is throwing the EU money out of the window" (European Official, 2015).

## **2.2 The negligible effectiveness of the EU's different types of financial assistance**

The potential differences in effectiveness for inducing change between the types of conditionality, ODA, and the GF in the case of Egypt is difficult to analyse, since the EU does not seem to have had any impact.

In practice, the application of conditionality varies according to type. For project-related conditionality, no departure from the procedural rules is permitted and a country cannot refuse the conditionality. The money can only be spent according to a specific set of regulations. In many cases, the conditionality of sector economic policy is open for discussion because it involves a transfer of ownership and it is the recipient country's sovereign policy. Finally, political conditionality is further down the line and the government usually considers it "none of the EU's business" to impose conditionality on its politics (Franco, 2015). As previously mentioned, the EU has never applied negative conditionality; nor has it really enforced positive conditionality.

As regards the GF, the first and only Southern Mediterranean country to have benefited from this allocation was Morocco (European Commission, 2007c: 10). The exact reasons why Egypt has not received this allocation have not been explained. The absence of quantifiable benchmarks alongside loosely defined indicators measuring "relative rather than absolute levels of progress" do not help in understanding the selection criteria for recipients (European Commission, 2008). In the 2008 non-paper on the "principles of the implementation of a GF under ENPI", the Commission seems to justify the absence of clarity by underlining the reluctance of some partners "to establish ENP Action Plans precisely because of the conditionality aspects that these entail", stating that "in communicating decisions relating to GF, it will be essential to concentrate on the achievements of the best performers" (European Commission, 2008: 4). According to Kausch, the draft version of the non-paper further stated, "it will be essential to avoid any sense of castigation of partners whose performance has not warranted increased allocations, concentrating solely on applauding the achievements of the best performers" (Kausch, 2008: 21). This approach seems to have evolved in the European Neighbourhood Instrument (ENI) for 2014–2020. According to the Commission, for programmes that reward recipient countries for political performance, the progress assessment "needs to be accurate and clearly linked to agreed reform objectives" and ensure that "criteria determining whether or not a country will be rewarded are clear and transparent, and partner countries are fully aware of them" (European Union, 2014b: 67).

Yet the reviewed approach may not necessarily constitute an incentive for the Egyptian government. An Egyptian expert on governance reforms stated that Egypt, unlike Morocco or Tunisia, is not as dependent on the EU as other ENP countries and will certainly not compete (Egyptian Expert, 2015). Moreover, the rewards offered by the GF do not appear to have been reassessed. An EU official explained that, generally, this type of reward is created in Brussels for a Brussels audience such as the EP, the Council or European public opinion and that it “is very possible that the GF was created to please the EP that asked for more intervention in governance. If the procedures lack clarity in regards to the way the money will be spent or if the recipient countries are not interested, nothing happens” (European Official, 2015).

### **2.3 The EU’s provision of technical assistance: a mixed record**

Under the ENPI financial assistance track, TA is provided through the Twinning, TAIEX and SIGMA capacity-building instruments in the form of expert missions, study visits or workshops that expose the beneficiaries to EU best practices and standards (EL Molla, 2009: 9). However, this type of assistance is predominantly demand-driven, and the main TA beneficiaries are government officials and civil servants.

Hence, TA is fairly elitist and top-down and does not necessarily reach civil society. Within the ENP, the EU can only work with non-state actors when it has the recipient country’s approval. This has resulted in the EU mainly funding government-operated non-governmental organizations (GONGOs) where approval has been easier to get.

For instance, the project “Supporting Measures to Combat Corruption and Money Laundering, and to Foster Asset Recovery in Egypt”, undertaken in cooperation with the UN, has included one workshop on the UNCAC review mechanism, which was held in 2013 with the government and non-governmental organizations (NGOs), both of which presented a review (UNODC, 2015). The following year, the work with CSOs was delayed because the government did not agree on the focal point of the national project. This delay was therefore due to the fact that, in order to work with these entities, UNODC needed to have the government counterpart present (UNODC, 2015). The independent midterm evaluation of the project, released in early 2014, underlines the project’s main weaknesses, which include the lack of direct involvement of civil society, even though the role and engagement of CSOs was highlighted as a priority in the project’s action plan (UNODC, 2014).

While other instruments such as the EIDHR or the newly created Civil Society Facility can assist CSOs, their support is financial and their funds limited. Moreover, the barriers imposed on NGOs have become harsher since 2014, with additional restrictions added to the infamous Law No. 84 of 2002 on NGOs that now literally ban foreign funding.<sup>13</sup>

Given the political context, TA provided by the EU is unlikely to affect the capacity of non-governmental local actors. Earlier this year, the president passed new counterterrorism laws that

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<sup>13</sup> In September 2014, the Penal Code was amended to include a maximum penalty of life imprisonment (or even the death penalty in times of war or in cases of support to terrorism) “for anyone who works for or receives any funds or support from local and international organizations ‘with the intention of committing acts harmful to national interest (...) or acts that breach the country’s independence, or unity, or territorial integrity, or committing attacks that disrupt public security or safety’” (Naje, 2014).

could potentially be used to ban CSOs and therefore prevent them from benefitting from EU assistance (The International Centre for Not-for-profit Law, 2015). Additionally, since 2011 Egyptian officials have become increasingly wary of foreign influence and interference in Egypt's domestic affairs. According to an Egyptian ministerial official, "SIGMA activities focus on governance, transparency and public procurement, and these sectors have problems now because of the security issues and the situation we are going through. They are afraid to invite someone and give him the documents and let him know everything about deals. This is somehow related to SIGMA" (Egyptian Official, 2015). Indeed, the number of SIGMA activities decreased from ten operations over the period 2007–2010 to three between 2011 and 2013 (European Commission, 2014a: 87).

The impact of the EU's technical assistance on the governmental beneficiaries is also questionable. While some TAIEX activities have focused on capacity building within important institutions that can contribute, even indirectly, to the fight against corruption, they constitute short-term interventions with a limited number of beneficiaries. The EU has, at times, been slow in supporting the Egyptian institutions. As previously mentioned, the Ministry of Finance asked for EU assistance in the implementation of PFM reforms in 2009. However, it was only two years later that a regional seminar on the issue took place, the main organizer of which appears to have been the Middle East Regional Technical Assistance Centre of the IMF, in collaboration with, among other international donors, the EU. The education SBS programme that included technical assistance for PFM with the PETS was deemed a success. The Egyptians were very happy and other ministries were interested, but there was no follow-up and the EU did not undertake any further concrete measures. The exercise was later considered by the Egyptians as only another EU procedural requirement for receiving the second tranche of funds allocated to the education SBS (Egyptian expert, 2015).

The EU anti-corruption project managed by UNODC has also been criticized by the Egyptian stakeholders. One of the four expected outcomes of the project was support for the Egyptian government in the development and implementation of a national anti-corruption strategy. However, after a few unsuccessful meetings between UNODC and the Egyptian counterparts, the Egyptians refused to accept any funding for the development of the strategy on the grounds that UNODC was pushing its own agenda and imposing priorities at a time when the various anti-corruption bodies and ministries involved in the project could not agree internally on their own priorities (Egyptian Official, 2015). The second problem related to the different workshops held, where the same people were giving presentations and the same people were being trained. Some Egyptian officials complained about the lecturers' lack of expertise:

UNODC sometimes has yearly contracts with lecturers and it picks those people and we often know more than them about the problems (corruption). Sometimes they are academics, but when you are a practitioner you need to learn lessons from another practitioner's system, especially for the major issue of asset recovery. You do not need someone who has been out of service for ten years or an academic who knows nothing about the procedures except from the books. (Egyptian Official, 2015)

Finally, the Egyptians deplored the money wasted in holding the workshops at five-star hotels – despite the fact that they had offered to hold the events at the NCCCC’s headquarters or in fully equipped institutions such as the ACA Centre for Studies (Egyptian Official, 2015).

### **3. The EU’s performance assessment: Thorough monitoring or cosmetic exercise?**

The EU’s assessment of progress seems to have been rather subjective and, at times, ad hoc.

Overall, the EU’s assessment of progress is inconsistent across ENP countries. Kratochvil has highlighted some of these incoherencies by comparing the Commission’s 2008 progress reports for Ukraine, at the time considered one of the top-four ENP best performers, and Egypt. After counting negative references to lack of progress, Kratochvil notes that there were 17 such references in Ukraine’s CPR and only one in Egypt’s (Kratochvil, 2009: 15).

In the case of the Egyptian SBS programmes and projects, both the performance indicators and the expected outcomes are described in the NIPs with very lofty terms, but with no clear benchmarks – for instance, “higher efficiency in delivery of transport services to passengers and freight” and “higher standards and performance of transport and improved infrastructure” for the transport programme (European Union, 2007: 37). The AFs, which describe the programmes in more detail, show that the EU has adopted a more functional approach with, in very few cases, the inclusion of quantified indicators. Therefore, one of the flaws of the EU’s assessment of progress lies in the fact that too often the indicators used cannot be linked to the potential impact of a reform. As Mungiu-Pippidi has observed for the accession countries in Central Europe, Egypt also seems to be evaluated based on the number of activities undertaken rather than on their real effectiveness or impact on reform implementation (Mungiu-Pippidi, 2008: 17). Furthermore, a 2013 evaluation of the SIGMA activities for the ENP region has shown that there was no formal process at the EEAS level to assess the SIGMA and that, for Egypt, “feedback on SIGMA is provided only occasionally, depending on the meetings with line beneficiaries” (B&S Europe, 2014: 57-58).

It is even more difficult to evaluate the impact of the EU given that the monitoring is based on reports by the Egyptian ministries in charge of the implementation according to the transfer-of-ownership principle for SBS programmes. The accuracy of these reports is dubious, since Egypt exhibits internal monitoring problems as a result of general mistrust and a lack of coordination, sometimes within the same institution. According to an Egyptian official, monitoring has always been a problem in Egypt because people are reticent to publish reports and statistics out of fear these would underline the internal flaws of their departments and could be used against them. More broadly, they consider disclosure of information and reporting to be a matter of security, especially when it comes to corruption. This issue has, to a certain extent, prevented the NCCCC from becoming the overarching anti-corruption body (Egyptian Official, 2015) and explains the weakness of the EU monitoring process:

Monitoring is difficult, because if you are an EU official coming and asking me, as an Egyptian official, questions about so many details, I will give you what I want to give you. Even if you ask the questions ten times in different ways, I will only give you the

information I want to give you (...) Unfortunately it all goes through reports and they (the EU) do not make more effort to see whether what is in the report is what happens on the ground or not. (Egyptian Official, 2015)

In fact, the EU's appraisal of progress in the implementation of the EU–Egypt Action Plan seems to have been principally focused on the two partners' bilateral economic cooperation, at least until the revolution. Voicing only mild criticism regarding Egypt's commitment to political reform, the pre-revolution Country Progress Reports consider the overall implementation of the action plan "encouraging", with good progress in trade and economic reform and Egypt an "important", "major" or "key" trading partner. The period 2004/2005 to 2010/2011 is considered to represent a "legal revolution" in the Egyptian economic and financial system and a big development in trade and foreign direct investment (FDI) from the EU to Egypt (Egyptian Official, 2015; Franco, 2015). From an EU perspective, pre-revolution EU–Egypt relations were deemed very good at the economic level due to Nazif's highly business-oriented cabinet, which attempted to modernize the Egyptian economy and made it more attractive to foreign investors. As Franco explained,

Youssef Boutros Ghali was a very effective Minister of Finance who wanted to modernize financial management, and we supported him by introducing PFM techniques in all the ministries. This is perhaps the only condition in our budget support programmes that had any impact because the different ministries had to sign up to work with the MoF and introduce PFM techniques in order to receive SBS. (Franco, 2015)

Ironically, just months before the revolution, total EU–Egypt bilateral trade reached its highest level ever (€22,309 million), at the same time that an EU-funded opinion survey found that 84 per cent of Egyptians considered fighting corruption a major challenge for their country. Both Nazif and Boutros Ghali were later found guilty on corruption charges (European Commission, 2015; ENPI Info Centre, 2011, Bassiouni, 2012).

Additionally, the EU has often been criticized for substantially diluting its progress reports and their assessment of the political and human rights situation. A case in point is the 2009 progress report, in which the Commission stated that despite remaining concerns on the implementation of democracy and human rights reforms, the government seemed "increasingly convinced of the need to tackle governance issues as part of its domestic reform agenda" (European Commission, 2009:2). CSOs condemned the EU for "presenting significant gains on human rights issues without explaining the very negative bigger picture and making no reference to explicit civil society views"; some of them thus turned down opportunities for consultation on progress in the subsequent years (Balfour, 2011:10).

As shown by the disillusionment of some EU officials within the EEAS and the parliament's opposition to SBS, it can be easily deduced that the EU's impact assessment has been minimal, if it has taken place at all, and that the indicators and benchmarks have only been bureaucratic formalities.

#### **4. The subsidiary role of the EU in altering Egypt's government-citizen accountability relationship**

The EU appears to have placed a premium on “political dialogue over political reform” and moderated its criticisms of the lack of progress in reform implementation. This was done to the detriment of transparency and accountability, as the content of the political dialogues usually remains behind closed doors, which further exemplifies the highly top-down approach the EU has adopted in its cooperation with Egypt. The action plan was not discussed with any non-governmental political actors or CSOs, and not a single SBS programme was accompanied by funding for CSOs to develop their role in monitoring the national budget (Lazarou et al., 2013: 181; European Court of Auditors, 2013b: 22).

The EU's slow response to the Egyptian Revolution itself has also been interpreted as a lack of support for the Egyptian people. Its initial reaction was to urge Mubarak to stop the violence against protesters and engage in democratic reforms. It only began calling for his resignation a week before he stepped down (Isaac, 2012:8; Aydin, 2012: 239).

Subsequently, the EU issued three important communications: “A partnership for democracy and shared prosperity with the Southern Mediterranean”, “A new response to a changing neighbourhood”, and “An agenda for change”. They focused on thoroughly reviewing the ENP by strengthening conditionality, engaging more with civil society, and offering a “more attractive package of incentives” for those partners who engage in “deep democracy” (Balfour, 2012: 21). The EU also launched the SPRING programme, which focused on achieving reforms in the fields of democratic transformation and institution building in support of, among other things, “the fight against corruption” and “a more efficient, integrated, transparent and accountable public administration” (European Commission, 2011c: 5). All three of the above-mentioned communications and the SPRING programme have placed an emphasis on the fight against corruption and accountability. While the €90 million SPRING allocation to Egypt does not tackle corruption, one of the components of the programme does involve civil society and could lead to some improvement in local governance.<sup>14</sup> However, as of July 2015, the SPRING allocation to Egypt has still not been disbursed, and the civil society component is slated to receive only €10 million of the programme's €90million.

The EU's post-January 2011 commitment to expand its support to CSOs and “increase their ability to monitor reform and participate effectively in policy dialogues” was, however, undermined by the fact that CSO representatives were ultimately denied participation in the main meeting of the 2012 EU–Egypt Task Force (European Commission, 2011b: 6; Pinfari, 2013: 462).

While some CSOs who have been exposed to the work of the EU are disappointed with the EU's passive engagement with civil society, other observers note that the average Egyptian citizen does not know anything about the EU's work in Egypt, while everyone in the streets knows

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<sup>14</sup> The Programme for Egypt includes €60 million to enhance children's, and particularly girls' access to education and to fight child labour, €20 million to upgrade informal areas in Greater Cairo, and €10 million to support civil society in socio-economic interventions at large in the most deprived areas of Egypt (action fiche).

about USAID in terms of governance (Egyptian Official, 2015). This sentiment was echoed by Debeuf:

the visibility of what we are doing, compared for instance with USAID, is zero. Even me as let's say an insider, I do not really have an idea so of course the average Egyptian thinks that the EU is doing nothing at all. And that's also a problem because if they think you do nothing then they also do not expect anything and then your impact is zero on the political level. (Debeuf, 2015)

The latest EU Neighbourhood barometer on the perceptions of the EU confirms this trend. Even though democracy is the most mentioned area in which Egypt benefits from EU policies (18 per cent), most Egyptian respondents are, paradoxically, not sure how to describe the relations between the EU and Egypt (65 per cent) or are not aware of the EU's financial support for cooperation (11 per cent "yes"). One-third of Egyptian respondents tend not to trust the EU (29 per cent) or "do not know" (55 per cent) (TNS Opinion, 2015: 30-48). Overall, Egyptians are the least informed respondents in the entire Neighbourhood with regard to the EU, with the highest percentage of "don't know" answers, thus rendering the "democracy" answer meaningless.

## **5. Very little enthusiasm in tackling Egypt's corruption problem**

Until the Arab uprisings, the EU's anti-corruption rhetoric had been far from outstanding in Egypt, where the issue was not even included in the 19 priorities of the action plan (Martini, 2012: 6).

More disconcerting is the fact that the EU did not implement any specific corruption oversight, monitoring or evaluation mechanism. There also seems to be a lack of specific PFM reform policies that could have improved Egypt's financial accountability and integrity, especially given that SBS is the aid modality that is the most prone to corruption (Chêne, 2008:1). In the 2011 communication entitled "The future approach to EU budget support to third countries", which introduced budget transparency and oversight as an additional eligibility criterion, the EC asserts that it "will strengthen its risk management framework for EU budget support" by "closely monitoring progress in the fight against corruption and fraud with a view to ensuring sustainable development benefits" and that budget support will "contribute to the fight against corruption and crimes involving fraud" (European Commission, 2011: 3-4). In this regard, the ECA made four recommendations to the Commission and the EEAS, which included "placing more emphasis on PFM and the fight against corruption in the new Action Plan", "establishing an Association Agreement sub-committee specifically devoted to PFM and the fight against corruption", "supporting Egypt in the implementation of the IMF roadmap", and strengthening the management of budget support by carrying out a review whereby eligibility criteria such as transparency and oversight of the budget and "tackling seriously the issue of corruption should be strictly applied" (ECA, 2013: 31-32). Interestingly, the Commission and the EEAS accepted most of the recommendations but rejected the most concrete one – namely, the creation of a PFM and anti-corruption subcommittee – stating that they would, however, "continue to suggest the inclusion of PFM issues on the agenda of the informal Economic Dialogue where it would be and still is appropriate" (ibid: 52).

The attitude of the Commission and EEAS is at times at cross purposes with the stated objective of reinforcing transparency and accountability on budget spending. And while they do indeed operate in a difficult political environment, it is reasonable to question their willingness to act.

Other external actors such as Switzerland, which operate in the same political environment, engaged in a mutual legal assistance process with and at the request of the Egyptian authorities in order to recover the Mubaraks' assets. Within asset recovery processes, Switzerland makes the involvement of CSOs within the requesting state a condition for its assistance. In the case of Egypt, the stakeholders are the Egyptian Ministry of Justice and the Egyptian Initiative for Personal Rights (EIPR), and the latter has participated in the societal dialogue (Egyptian Expert, 2015).

In most cases, the EU fails in its efforts towards transparency in the SBS or project implementation. Indeed, while the EU should “publish relevant information on budget support financing agreements and performance reviews (including disbursement conditions and assessments in agreement with the partner country)” in order to promote “mutual accountability and transparency” and enhance “the visibility of its support”, the information is provided in dribs and drabs (European Commission, 2012: 57). Thus, it is extremely difficult to track the implementation of the SBS and projects, and the technical and administrative provisions that detail the conditions linked to the disbursement of the allocations are, in principle, available to the public but are not published with the annual action programmes and the action fiches.

Even more problematic, in a country where corruption is pervasive, is the question of whether the EU funds have effectively reached the intended recipients for their intended purpose. Last year, an investigation conducted by the Illicit Finance Journalism Programme found that the 2012 EIB loan to an Egyptian Company, Qalaa Holdings, was flowing to off-shore tax havens despite the EIB's key principle of preventing tax avoidance and money laundering and its “general prohibition on investments linked to non-compliant jurisdictions, except in limited circumstances” (Turner, 2014). While this is not a corruption case and there is no evidence suggesting that Qalaa Holdings is involved in illegal activities, this example attests of the looseness of the EIB's policies and the lack of transparency in the way its publically financed investments are managed (ibid). No corruption cases involving the Commission's money have been reported either. Yet the recent corruption case involving the minister of agriculture along with ministry officials and businessmen is alarming given that the EU had two decentralized projects, amounting to €32 million, planned for 2009 and 2011 for which the Ministry of Agriculture and Land Reclamation was the main recipient.<sup>15</sup> Finally, the recent case of Mariam Malak, a top student who scored zero on all her final high school examinations, was highly publicized. Her lawyers argued that her papers had been swapped with those of the child of an influential person and she quickly became an anti-corruption figure (The Guardian, 2015). While the case has been dismissed, it further undermines the impact of the EU, whose biggest SBS programme was for education and included the “revamping of the whole examination system, from primary grade 4 up to admission to university”.

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<sup>15</sup> The two projects were “Support to Rural Development ENPI/2009/020-493”, for which the MoALR is the main recipient and is in charge of submitting regular reports on the implementation of the project to the Commission, and “Support to Agricultural SMEs” for which the MoALR is responsible for the management of the Agriculture and Research Development Fund.

## V. CONCLUSION

The EU's assistance to Egypt best exemplifies the limits of EU foreign policy and its highly bureaucratic nature. In practice, governance reforms have not made it to the top of the EU's agenda. Moreover, the Egyptian partners' well-known resistance to conditionality combined with the EU's soft application of this principle and the absence of tangible financial rewards – such as the Governance Facility, considered merely window dressing – has raised questions about the EU's credibility. Following its slow reaction to the 2011 revolution, the EU's rhetorical enthusiasm for bringing about change in the region and adopting a new approach contrasted with its actions, which did not substantially depart from the planned NIP for 2011–2013. While the constant political instability in the country has been a major impediment, the financial rewards provided by the EU have remained extremely low, especially compared to those from other external actors – for instance, the Gulf countries, which have provided billions to Egypt without conditions. As an Egyptian official notes, “If there is a lot of competition, you are supposed to attract a customer and you need to have a competitive edge. If I am a monopolist I can do whatever, but as long as I do not have the monopoly, it does not make any sense to impose conditions; conditionality will have the opposite effect and your customer will go for your competitors” (Egyptian official, 2015).

The lack of funding is, however, a disputed argument, as the greatest amount of FDI for Egypt over the past decades has originated from the EU, with member states such as the United Kingdom or France being among the most important sources. An Egyptian lawyer contends that Europe has considerable leverage, as “the government is seeking to bring the Europeans on board onto projects. These are the major players and the major investors, so you know it is a priority to maintain good relations and facilitate trade. Whether they are willing to use that leverage is a different story” (Egyptian Lawyer, 2015).

According to some EU officials, it is misleading to assess the importance of the EU activities based on a breakdown of the ENP allocations. While SBS programmes received more funding than projects, an EU official explained, “in order to spend the money we had to do budget support” (EU Official, 2015). SBS has been implemented in Egypt with little conviction and even less impact. The Egyptians therefore feel that the EU policies are short-sighted and that Brussels should have a long-term strategy that takes into consideration the changes and learns lessons instead of starting from scratch with every new financial cycle (Egyptian expert, 2015).

Both sides view technical assistance as the most efficient way to assist Egypt. An Egyptian official asserts that technical assistance undertaken “in a practical manner rather than just theories in workshops” and smaller scale projects would be more beneficial than the reform programmes with extensive funding where nothing is achieved (Egyptian Official, 2015). In the field of education, some have suggested that, instead of providing budget support, the EU could have a stronger impact and increase its visibility for the same amount of money by offering more exchange programmes and building European schools in Egypt that are financially accessible to everyone (Debeuf, 2015). Another problem with SBS is the EU's loose performance assessment of the programmes based on monitoring reports delivered by the various Egyptian ministries concerned. An Egyptian official (2015) stated, “it is pointless to conduct impact assessment in the current environment when officials are not trained and there is a lack of detailed information

required for this exercise: that is why we need more technical assistance and training in public administration". Former ambassador Franco also stated that "a little money well used is more effective than a lot of money badly spent" and that "improving governance is basically TA and institution-building". But most importantly, he said, "administrative reform is the starting point of the fight against corruption"(Franco, 2015).

However, only one project has targeted corruption and few SBS have indirectly addressed the issue. Rhetorically, the fight against corruption has been at the top of President Al Sisi's agenda, and the EU included "cooperate in combating and preventing corruption" in the 2014–2015 Single Support Framework. Yet no concrete measures or projects are planned before 2017, and the execution plan for Egypt's national anti-corruption strategy will end in 2018. Once again, the EU's bureaucratic nature has prevented it from acting in a timely fashion and Brussels has missed another opportunity to assist Egypt in implementing governance reforms. One fair assumption regarding the EU's lack of enthusiasm in genuinely tackling corruption would be that the issue has never truly impacted EU–Egypt economic relations, as the increase in bilateral trade, even when corruption was perceived as a major challenge for Egypt, attests.

It is possible that greater transparency, which would make information accessible to all stakeholders, whether European taxpayers or Egyptian citizens, as well as increased opportunities for Egyptian civil society at large (i.e. NGOs, academics, parliamentarians) to participate in negotiations or to write "shadow" reports would be a first and easy step towards improving the visibility of the EU's actions as well as the government–citizen accountability relationship.

Despite significantly improved action programmes with more references to corruption, the current joint priorities of the two partners are geared towards security matters, as evidenced by Federica Mogherini's speech to the Egyptian youth at Cairo University on November 4. In it, she focused almost exclusively on conflicts, migration and terrorism. With the fifth anniversary of the revolution approaching, Egypt has recently witnessed a surge of arrests of regime dissidents, but the EU has so far not voiced any criticism of this crackdown. Since President Al-Sisi's election, the EU has been less outspoken, only sporadically making statements on human rights violations that are not followed by concrete actions. This seems to indicate that the EU, once again, is prioritizing Egypt's relative return to stability and the focus on security issues is taking place at the expense of human rights and governance. Furthermore, the November 2015 attacks in Paris do not bode well for the implementation of governance reforms in Egypt. Should the EU ever try to enforce political conditionality, Egypt is likely to oppose any threat it considers a matter of national security, especially at a time France, a powerful European member state, has informed the Council of Europe that it may derogate to the European Convention on Human Rights.

## RECOMMENDATIONS

- **Abandonment of Sector Budget Support in Egypt:** This aid modality, opposed by the EP as well as some EEAS and Egyptian officials, has proved to be ineffective in attaining the action plan's policy objectives.

- **Disclosure of the documents related to the implementation of EU-funded programmes and projects as a means to increase the EU's accountability and visibility:** Apart from the AFs and CPRs, the EU does not provide any real updates on the implementation of the projects and programmes. Technical and administrative provisions, performance and risk assessments, and any other non-confidential implementation-related information should be published.
- **Increased involvement of civil society in EU–Egypt cooperation:** Rather than increasing funding for CSOs, which some EU officials consider rather small and which are often reluctant to work together as they see each other as competitors for the international donors' funds, the EU should engage them more in the negotiations on or evaluations of the programmes by enjoining them to write shadow reports that would be taken into consideration for the annual progress reports. While there is still a lot of reluctance from the Egyptian side, despite younger Egyptian officials being keener on engaging with CSOs, Switzerland has demonstrated that it is feasible to engage both the Egyptian government and CSOs as stakeholders in the same process.
- **Increased practical technical assistance and institution building:** Many Egyptian officials agree that further support for institution building is required as civil servants are undertrained, particularly when it comes to monitoring. Regarding the fight against corruption, Egyptians ask for practical training rather than theoretical workshops in order to learn from other practitioners. Most of all, they ask for more direct involvement on the part of the EU, even when the management of programmes is decentralized. Study visits at the European Anti-Fraud Office (OLAF) or expert missions by members of the office could also be envisaged.

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